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**Soviet Economic Dependence on Eastern Europe**

In the aggregate, imports from Eastern Europe (which roughly equal imports from the West in value terms) account for only a small portion of Soviet production--less than 2 percent of GNP. East European inputs, however, play a far greater role in the Soviet economy than is suggested by the number, both in terms of categories of goods and geographic utilization. The importance of East European offerings is reinforced by the day-to-day workings of the Soviet economic system whereby Soviet officials when setting production targets factor in output from Eastern Europe.

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This dependence is particularly obvious in the Western USSR where because of proximity to Eastern Europe a number of Soviet factories rely almost exclusively on European rather than Soviet suppliers. For example, only 7 percent of total Soviet coal consumption is of Polish origin. Soviet steel mills located close to the Polish border, however, were designed to operate solely on coal provided by Poland. Recent disruptions in deliveries have forced these mills to reduce their operations.

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Data on the contribution of East European goods to Soviet consumption is for the most part incomplete. Periodically, the Soviet press does carry accounts that relate in general terms this trade to the Soviet economy. According to one Soviet press

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account, East European exports in 1976-80 provided 40 percent of the increment to the Soviet merchant fleet, 35 percent of the increment to inventories of Soviet railroad passenger cars, 12 percent of the increment to the stock of Soviet buses. Imports from the satellites also accounted for 15 percent of retail trade in clothing, footwear, and furniture.

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The following examples suggest the importance of East European supplies in some ~~industrial~~ categories of consumption and industrial production.

- Tobacco and cigarette imports--mostly from Bulgaria--accounted for 30 percent of tobacco and tobacco products available to the Soviet consumer in the mid-1970s.
- Eastern Europe provides 10 percent or more of all Soviet nonfood consumer goods.
- During 1976-80, over one-half ~~percent~~ of automobile production at the Tolyatti auto plant was ~~satisfied~~ <sup>dependenced on component furnished by</sup> from East European suppliers.
- The Kama River truck plant receives all its braking systems from Poland.
- In value terms, roughly 10 percent of computer equipment used in the USSR in 1981 was of East European origin. Soviet reliance is greater in some computer sub-categories, however.
- Moscow relies largely on Bulgaria for practically all <sup>of</sup> its magnetic disc requirements, ~~because it has not yet geared up its own production capability.~~

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-- The Soviets are relying heavily on Czechoslovakia to provide reactors for the development of the CEMA nuclear powerplant program. Other East European countries are providing other specialized components.

-- For some machine tools, the Soviets in recent years have been purchasing a growing number of items from East European rather than Western equipment catalogues. In 1978, for instance, the USSR signed an agreement with East Germany for the purchase of 700 precision grinders which in previous years would have been bought from Western producers.

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Bill -

Here is more on East  
European exports to USSR -  
Some good specifics.  
However, as I suggested, our  
information is woefully  
weak. The other paper also  
is attached.

Rg.